

Memo

To: Senate Republican Caucus
From: Senator Dick Ackerman
Vice Chair, Senate Budget and Fiscal Review Committee
Date: 2/8/01
Re: California Healthy Families Program

The Senate Republican Fiscal Office has prepared an overview of California's Healthy Families Program and the Davis Administration's plans to expand it. Also attached is a chart that summarizes eligibility for the Healthy Families Program, Medi-Cal and the Access for Infant and Mothers (AIM) program.

If you have any questions, please do not hesitate to contact Sharon Bishop in the Senate Republican Fiscal Office at 322-3213 or my office at 445-4264.

Attachments

DATE: February 7, 2001

TO: Senator Dick Ackerman

FROM: Senate Republican Fiscal Office

SUBJECT: California Healthy Families Program: The Davis Administration Plans to Expand the Healthy Families Program to Provide Health Insurance Coverage to the Parents of Eligible Children



On December 19, 2000, the Davis Administration requested a waiver from the federal government to use a portion of California's federal funds to provide health insurance coverage to some parents of children enrolled in the Healthy Families Program (HFP). Under its fast-track implementation, the Administration proposes to implement the expansion by July 2001, using the regulatory process, without benefit of legislative oversight.

BACKGROUND

Currently, the Healthy Families Program covers children in families with income up to 250 percent of the federal poverty level.

The program covers the following benefits:

- Health – physician visits, inpatient care, prescription drugs, emergency care, preventive services (immunizations, well child visits, health exams), mental health, substance abuse
- Dental – exams, cleanings, fillings, sealants, bridges and crowns, medically necessary orthodontia
- Vision – annual exams, eyeglasses

Families pay monthly premiums of \$7 to \$9 per child per month, based on family income level, with a limit of \$27 per family. Families may receive a \$3 discount per child per month if they choose the Community Provider Plan (i.e., the traditional/safety net provider). In addition to the premiums, families pay co-payments of \$5 for most services.

PROPOSED EXPANSION

The proposed waiver would expand coverage to parents, except that the expansion would be limited to parents in families earning up to **200 percent** of the poverty level. The parents' premiums would be in addition to those for their children -- \$20 per parent per month for those at 100 to 149 percent, and \$25 per month for those at 150 to 200 percent of poverty. In addition, parents' co-payments would be more than their children's, comparable to those charged to state employees. The Budget proposes \$763 million (\$278 million General Fund) for 2001-02, which includes \$201.5 million for the proposed expansion.

The table on the next page displays the funding and caseload for the program since its inception, with projections for future years under the proposed expansion.

Timeline

1997 – Congress enacts the federal Balanced Budget Act, creating the State Children's Health Insurance Program (SCHIP) and authorizes \$40 billion over ten years

July 1998 – California establishes the Healthy Families Program (HFP), providing comprehensive health, dental, and vision coverage to uninsured **children** who do not qualify for Medi-Cal and who are in families with annual gross incomes below **200 percent** of the federal poverty level

November 1999 – California expands the Program to cover children up to **250 percent** of poverty; applies various income exclusions/deductions consistent with the Medi-Cal Program. Other program expansions include lowering monthly premiums and co-payments

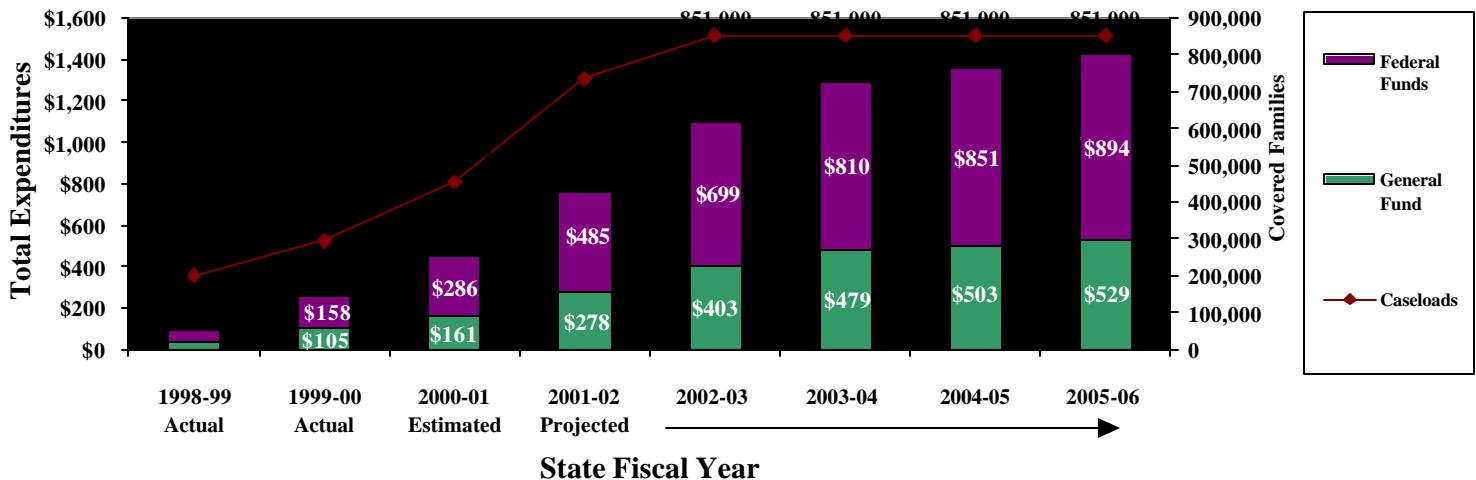
Summer and Fall 2000 – Federal guidelines allow waiver to cover parents,

- ACR 184 (Hertzberg) – urges MRMIB to apply for a demonstration project
- AB 2900 (Gallegos) – provides that California meets all waiver submission criteria
- AB 1015 (Gallegos) – grants MRMIB broad authority to include parents

December 19, 2000 – The Davis Administration submits its request to cover parents by July 1, 2001

Healthy Families Annual Costs and Caseload

(Dollars in Millions)



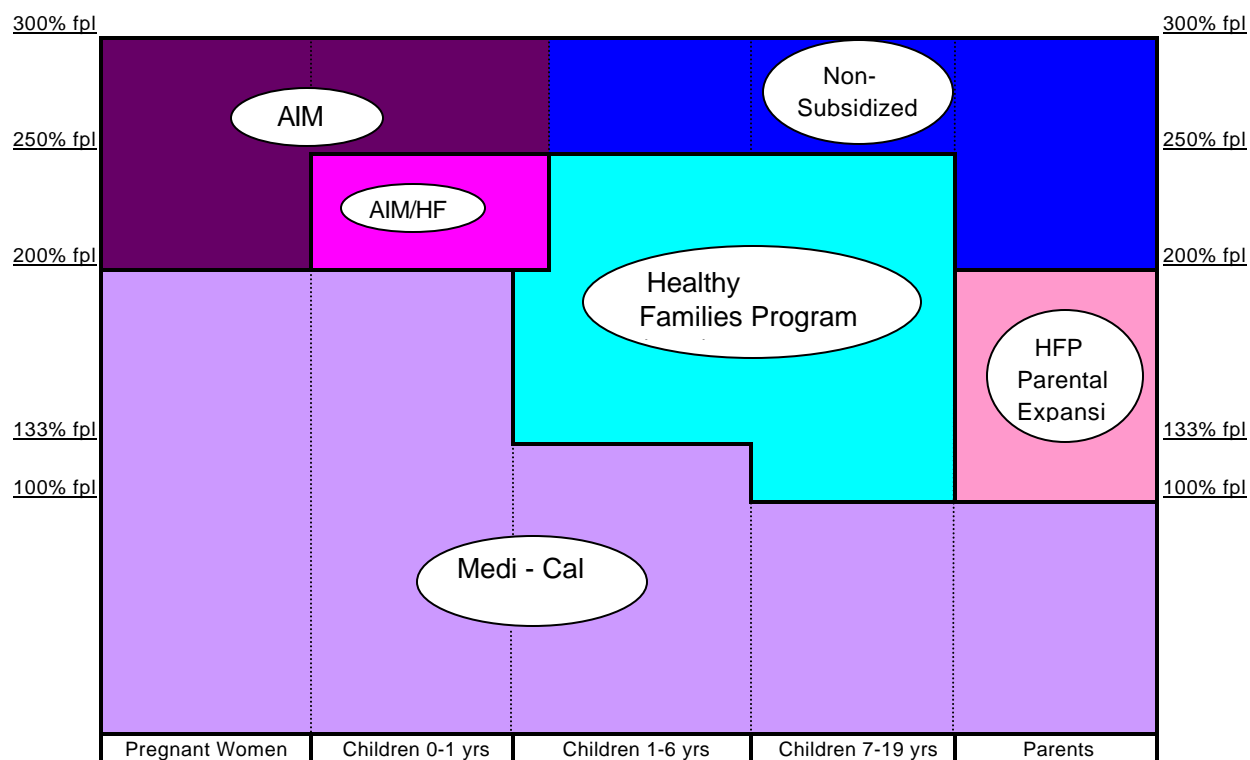
ISSUES AND CONCERNS

In addition to lack of legislative oversight, the Fiscal Office has identified a number of policy and fiscal concerns regarding the proposed expansion:

- ***Will the federal allocation be enough?*** Parents must be covered within the total allocation; and, if federal funds are insufficient to cover both children and parents, the state will either have to discontinue coverage to parents (highly unlikely) or augment the program with additional state General Fund. Also, there is no guarantee that the federal program, and the enhanced federal funding, will be reauthorized.
- ***Will “Crowd Out” be exacerbated?*** Employer coverage becomes very prevalent once an individual’s earnings exceed \$30,000 per year. Incentives could be provided to employers to offer health insurance to all workers and their dependents. For employers that have a mix of low-, moderate-, and high-wage employees and who have no insurance plan, the government could offer a subsidy to cover the full cost of insuring the lowest wage earners if the employer would cover a majority of the cost of providing coverage to the higher-wage employees. In addition, “firewalls” for parental coverage could be strengthened by lengthening the “look-back” period to 6-12 months, instead of the current three months. Eligibility for the HFP or a government insurance subsidy could be denied to any parent who is now able to, or who has been able within the last year, to obtain health insurance through his or her current employer.
- ***Should parents pay premiums on a sliding-scale basis?*** Premiums could be based on the wage of each individual parent, as opposed to having one specific premium per parent based on family income and family size. If a person’s hourly wage exceeds \$10, there is a strong likelihood that health insurance coverage is available through his/her employer. Wage rate is more significant than percent of the poverty level in evaluating the situation of the uninsured, and is a very good proxy for the availability of employer coverage. Above \$40,000 annual gross income per year, very few working parents lack access to employment-based health insurance coverage. Wage level is used in Social Security, Medicare, and unemployment compensation calculations.
- ***Should there be an asset test for parents in the HFP like there is in Medi-Cal?*** Neither the HFP nor Medi-Cal has an asset test for children, but children have few assets. Medi-Cal does have such a test for parents. The HFP also uses Medi-Cal income deductions to determine income eligibility.

For further information, please contact SHARON BISHOP, Fiscal Consultant, Senate Republican Fiscal Office, at (916) 323-9221.

Medi-Cal, Healthy Families, and AIM



Federal Poverty Levels (As of April 2000)

% of FPL	Annual Income Family of 3	Annual Income Family of 4
100%	\$14,150	\$17,050
200%	\$28,300	\$34,100
250%	\$35,375	\$42,625
300%	\$42,450	\$51,150